

**FISCAL NOTE**  
**SB 2503 - HB 2479**

March 20, 1998

**SUMMARY OF BILL:** Enacts the Patient Freedom of Choice Act of 1998 to provide patients the right to choose health care providers. All insurance companies health maintenance organizations and managed care organizations would be required to reimburse any provider who registered with the company and was utilized by an enrollee. Companies could only exclude providers who did not register, who were guilty of fraud against other insurance companies, or who present an undue risk of medical malpractice.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - Exceeds \$90,000,000**  
**Increase Local Govt Expenditures\* - Exceeds \$5,000,000**

Assumes that the provisions of the bill will result in an estimated increase in capitation rates paid in the TennCare program, an increase in expenditures to the state employee health plan, since this plan utilizes existing networks of health care providers, and increased expenditures to local government health care plans. Self-funded plans could avoid the provisions of the bill if they established their own network of health care providers because of the ERISA statute; however, the cost of establishing and administering the network is estimated to be significant.

This estimate is based on the following:

- An incentive presently exists for health care providers to accept set fee schedules or agree to discounts against usual and customary fees in order to be a part of large health care plans.
- Even though contracts with health care providers may not specifically guarantee a volume of patients, it appears logical on the part of the provider to conclude that such plans bring with them incentives or mandates for plan members to use providers in the plan.
- Allowing an increased number of providers into a plan reduces the likelihood that a provider will receive a significant amount of business as a result of being a member of such plan, removing most of the incentive for that provider to accept set fee schedules or agree to specified discounts against usual and customary fees.
- Allowing an increased number of providers into the plan will result in increased administrative cost to HMOs and health insurance plans.

For informational purposes the Tennessee General Assembly's Special Study Committee, on the Tennessee Patient Advocacy Act of 1997, conducted a study on the impact of any willing provider legislation. According to the consultant's report the estimated impact of implementing any willing provider legislation would be increased expenditures to TennCare of \$97,632,000 and \$9,439,546 to state and local government employee health care plans.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

**SB 2503 - HB 2479**

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive style with a large, stylized initial 'J'.

James A. Davenport, Executive Director